

DEPARTMENT OF DEFENSE
HEADQUARTERS, UNITED STATES MILITARY ENTRANCE PROCESSING COMMAND
2834 GREEN BAY ROAD, NORTH CHICAGO, ILLINOIS 60064-3094

USMEPCOM Regulation
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Army Programs
MANAGEMENT CONTROL

FOR THE COMMANDER:

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Summary. This regulation implements public law, Office of Management and Budget (OMB) guidance, Department of Defense (DOD) Directive 5010.38 (Management Control (MC) Program), and Army Regulation (AR) 11-2 (Management Control), by prescribing policies and guidance for the establishment and execution for the United States Military Entrance Processing Command (USMEPCOM) management control process. Covers responsibilities, standards, and reporting requirements for the USMEPCOM Management Control Program and includes the internal control standards issued by the Comptroller General of the United States.

Applicability. This regulation applies to commanders and managers at all levels of the USMEPCOM. It remains in effect during all levels of mobilization.

Proponent and exception authority. The proponent of this regulation is the Office of Internal Review and Audit Compliance (MIR), Headquarters, United States Military Entrance Processing Command (HQ USMEPCOM). The MIR has the authority to approve exceptions to this regulation that are consistent with controlling law and regulation.

Management control process. This regulation contains management control provisions and provides a management control evaluation checklist at appendix B for use in evaluating management controls.

*This regulation supersedes USMEPCOM Reg 11-4, 9 April 1990.

Supplementation. Supplementation of this regulation is prohibited without prior approval of the proponent (HQ USMEPCOM, ATTN: MIR, 2834 Green Bay Road, North Chicago, IL 60064-3094).

Interim changes. Interim changes to this regulation are not official unless authenticated by the Deputy Commander/Chief of Staff, HQ USMEPCOM. Users will destroy interim changes on their expiration date(s) unless sooner superseded or rescinded.

Suggested improvements. Users of this regulation are invited to send comments and suggested improvements by memorandum or on Department of Army (DA) Form 2028 (Recommended Changes to Publications and Blank Forms) direct to: HQ USMEPCOM, ATTN: MIR, Management Control Administrator, 2834 Green Bay Road, North Chicago, IL 60064-3094.

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Chapter 1

General

1-1. Purpose

This regulation prescribes the policies, procedures, and responsibilities for the USMEPCOM management control process. The provisions of this regulation apply to all USMEPCOM programs. This regulation applies to all commanders and managers at all levels of USMEPCOM. It remains in effect during all levels of mobilization. This regulation reinforces the accountability of USMEPCOM commanders and managers for establishing and maintaining effective management controls, and to provide them with greater flexibility in their evaluation of these controls.

1-2. References

Required and related publications and required forms are listed in appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1-4. Responsibilities

a. Commander, USMEPCOM will:

- (1) Formulate USMEPCOM policy by implementing the Integrity Act.
- (2) Sign and submit the annual statement of assurance on the status of the USMEPCOM management controls that accurately describes the status of management controls within the USMEPCOM, to include any material weaknesses and plans for corrective action, and submit this statement to the Office of the Assistant Secretary of the Army (Financial Management) (OASA(FM)).
- (3) Ensure all required management control evaluations are conducted according to the governing management control program (MCP).
- (4) Ensure management control responsibilities are explicitly covered in the performance agreements of all commanders and managers down to the assessable unit manager level.
- (5) Provide the leadership and support needed to ensure management controls are in place and operating effectively.
- (6) Ensure commanders and managers at all levels within USMEPCOM are aware of their management control responsibilities.
- (7) Designate a Management Control Administrator (MCA) to ensure the management control process is effectively implemented within USMEPCOM.
- (8) Designate the assessable unit managers within USMEPCOM.

b. MCA. The MCA is designated by the Commander to administer the management control process within USMEPCOM. The MCA has overall responsibility for ensuring the implementation of an effective management control process within the USMEPCOM. The MCA will:

- (1) Serve as the focal point for all management control matters.
- (2) Oversee and coordinate the preparation of the annual statement on management controls.

- (3) Advise the Commander on the implementation and status of the management control process.
- (4) Keep commanders and managers informed on management control matters.
- (5) Identify requirements for management control training and provide that training.
- (6) Develop and maintain a MCP for the organization or provide guidance to assessable unit managers on the preparation of a unit MCP.
- (7) Issue administrative guidance and instructions on the USMEPCOM management control process.
- (8) Develop and maintain a tracking system to ensure material weaknesses reported in the annual statement are corrected in a timely manner.
- (9) Retain all required documentation in support of annual statements and the correction of material weaknesses.
- (10) Prepare and staff the USMEPCOM annual statement on management controls.
- (11) Develop a biennial review program of all USMEPCOM regulations and related publications to ensure that regulations contain key management controls and general management controls.
- (12) Review interim message changes (IMC) for management controls, if sufficient, forward the IMC to MIM-SS for editing, otherwise, return the IMC to the functional proponent for corrections on management controls; forward a copy of IMC to MIG.

c. HQ USMEPCOM functional proponents, directors, and special staff officers will:

- (1) Develop and maintain policies and regulations that include effective management controls.
- (2) Determine, in consultation with the MCA, the Inspector General (IG), and the Chief, Internal Review (IR), the key management controls and explicitly identify these in appropriate regulations.
- (3) Develop management control evaluation checklists or identify other evaluation methods and include these in applicable USMEPCOM regulation.
- (4) Determine which management control weakness merit reporting as material weaknesses in the USMEPCOM annual statement, and provide the material weakness description and plan of corrective action.
- (5) Track the progress on correcting material weaknesses reported in the USMEPCOM annual statement and provide status updates when requested by the Commander, MCA, and others.
- (6) Submit an annual statement in the format and by the suspense date established by the MCA.
- (7) Address the MCP requirements in the annual statement.
- (8) Ensure performance agreements of commanders, managers, and assessable unit managers include an explicit statement of management control responsibility.
- (9) Assist the MCA on composing and reviewing the USMEPCOM annual statement to maintain effective quality control over the accuracy of the information reported.
- (10) Incorporate into USMEPCOM policies, guidance and regulations the key management controls

identified by Headquarters, Department of the Army (HQDA) proponents, US Army Audit Agency (USAAA), General Accounting Office (GAO), Department of Defense Inspector General (DODIG) and others identified by the MCA.

(11) Route IMCs through the MCA.

d. The IG will:

(1) During the normal course of inspections, consider management controls in the assessment of systemic issues and problems and make appropriate recommendations.

(2) Provide periodic reports to OASA(FM), the Commander, and the MCA summarizing management control weaknesses identified in inspections.

e. IR officers will:

(1) Provide technical advice, assistance, and consultation on management controls to commanders, managers, assessable unit managers, functional proponents, and others within USMEPCOM as necessary.

(2) Coordinate with functional proponents on the determination of key management controls and advise them on the development of management control evaluation checklists.

(3) During the normal course of audits, evaluate the effectiveness of management controls and the adequacy of management control evaluations and actions taken to correct material weaknesses.

(4) Based on a review of internal and external audit reports, identify any weaknesses in management controls that merit reporting as material weaknesses.

(5) Review the annual statement and provide an assessment of its thoroughness and validity.

(6) Prepare and submit to the Commander, on a periodic basis, a statement assessing implementation of the management control process.

f. Sector commanders will:

(1) Ensure required management control evaluations are conducted according to the governing MCP.

(2) Ensure management control responsibilities are explicitly covered in the performance agreements of commanders and managers down to the assessable unit level.

(3) Forward their respective annual statements to the MCA by the required dates established by the MCA.

(4) Forward a signed copy of the annual assurance statements to the MCA.

(5) Address MCP requirements in their annual statements.

(6) Report material weaknesses.

g. Military entrance processing station (MEPS) commanders will:

(1) Ensure required management control evaluations are conducted according to the governing MCP.

(2) Ensure management control responsibilities are explicitly covered in the performance agreements of commanders and managers down to the assessable unit level.

(3) Forward their respective annual statements through the chain of command by the required dates established by the MCA.

(4) Sign and submit an annual statement that accurately describes the status of management controls within the MEPS, to include any material weaknesses and plans for corrective action.

(5) Address the MCP requirements in the annual statement.

(6) Report material weaknesses.

h. Assessable unit managers (AUM) will:

(1) Provide the leadership and support needed to ensure management controls are in place and operating effectively.

(2) Ensure managers are trained and understand their management control responsibilities.

(3) Ensure management control evaluations are conducted according to the MCP and the requirements of this regulation.

(4) Ensure required documentation of each completed management control evaluations retained, subject to audit/inspection.

(5) Certify the results of the required management control evaluations on DA Form 11-2-R (Management Control Evaluation Certification Statement).

(6) Report through the chain of command any material weaknesses in management controls.

(7) Establish and implement plans to correct those material weaknesses, and track the progress in executing those plans until the material weakness is corrected.

(8) Use the management control evaluation checklist contained in the appropriate USMEPCOM regulation to evaluate key management controls and other management controls identified by the USMEPCOM functional proponent.

1-5. Statutory authority

a. The USMEPCOM management control process meets the requirements of the Accounting and Auditing Procedures Act of 1950, as amended by the Financial Managers' Financial Integrity Act of 1982, Public Law 97-255 (codified at 31 U.S.C. section 3512). The Accounting and Procedures Act of 1950 is implemented within the executive branch by OMB Circular A—123, Management Accountability and Control and within DOD by DOD Directive 5010.38, Management Control (MC) Program.

b. The Federal Managers' Financial Integrity Act (the Integrity Act) requires the Commander to:

(1) Establish management controls to provide reasonable assurance that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; revenues and expenses are properly recorded and accounted for; and programs are efficiently and effectively carried out according to applicable law and management policy.

(2) Report annually to the President and Congress on whether these management controls comply with the Integrity Act to include a report identifying any material weaknesses in these management controls, along with plans for their correction.

Chapter 2

Requirements

2-1. USMEPCOM management control policy

a. All commanders and managers have an inherent responsibility to establish and maintain effective management controls, assess areas of risk, identify and correct weaknesses in those controls, and keep their superiors informed. In this respect, the Integrity Act and OMB Circular A-123 codify the inherent responsibility.

b. All commanders, managers, assessable unit managers, and others so designated are responsible for understanding and applying the Comptroller General Standards for Internal Controls in the Federal Government (app C) and for conducting periodic evaluations of key management controls identified by DOD, by HQDA functional proponents, by USMEPCOM functional proponents, by other directives, guidance and regulations, by USMEPCOM regulations, and specifically in the USMEPCOM MCP.

c. No Army activity or program is exempt from the requirements of the Integrity Act and OMB Circular A-123. This includes all personnel assigned to Army organizations and activities for which the Army is the executive agent.

(1) The USMEPCOM management control process is not intended, however, to limit or interfere with matters such as statutory development or interpretation, determination of program needs, resource allocation, rule making, or other discretionary decision-making activities.

(2) For activities or functions that are contracted out, USMEPCOM managers performing related functions that are inherently governmental in nature (for example, property accountability, contract administration, and quality assurance) must comply with the requirements of this regulation. If a contractor is expected to conduct management control evaluation, these must be included in the contract requirements.

d. All commanders and managers and assessable unit managers will give high priority to the prompt correction of material weaknesses and to the effective implementation of management controls that--

(1) Are identified as key management controls by HQDA functional proponents.

(2) Are identified as key management controls by HQ USMEPCOM functions proponents.

(3) Pertain to the DOD High Risk Area identified by OMB.

(4) Pertain to any other high risk areas identified by OASA(FM), DOD or Army leadership.

(5) Pertain to areas of vulnerability/high risk identified at USMEPCOM.

(6) Directly support the accomplishment of DOD goals, Army goals, and USMEPCOM goals and/or mission.

e. All commanders, managers, and assessable unit managers will be forthright in reporting material weaknesses in key management controls. The chain of command should encourage the prompt and full disclosure of such problems and ensure commanders, managers, and assessable unit managers are not penalized for reporting material weaknesses.

f. Performance agreements of commanders and managers responsible for the execution and/or oversight of effective management controls, down to the assessable unit manager level, will in-

clude an explicit statement of responsibility for management controls.

2-2. Reasonable assurance

a. Background. In the context of the Integrity Act and for purposes in this regulation, “reasonable assurance” refers to a satisfactory level of management confidence that management controls are adequate and are operating as intended. Inherently a management judgment, reasonable assurance recognizes that there are acceptable levels of risk that cannot be avoided because the cost of absolute control would exceed the benefits derived.

b. Basis for reasonable assurance. The determination of reasonable assurance is a subjective management judgment. The subjectivity of this judgment can be reduced significantly by considering the following:

- (1) The degree to which all commanders and managers understand and adhere to the Comptroller General standards. See appendix C.
- (2) The degree to which all commanders and managers are held formally accountable for the effectiveness of their management controls and are evaluated on their performance in this regard.
- (3) The timeliness, adequacy, and results of the management control evaluations, to include the correction of any management control weaknesses detected.
- (4) Assessments from other sources (for example, audits, inspections, and investigations), media coverage, and direct management reviews or assessments by senior officials.
- (5) Supporting annual statements from commanders, managers, and assessable unit managers.

c. Reporting. At each level, the annual determination of reasonable assurance is a management judgment, based on all available information, on whether management controls are operating as intended. The USMEPCOM is a separately-reporting field agency and a primary reporting organization in the management control process. The Commander must submit an annual statement that provides an assessment of the overall status of the management controls and describes the basis for the determination. A “qualified statement” is used to report problems with the management control process, (i.e., a material weakness), see figure 2-1. The “unqualified statement” is used when there are no problems with the management control process, see figure 2-2. The MCA will distribute the requirements for the annual statement by mid June of the current year. The suspense date for the submission is 30 August of the current year. The submission will include a statement on the completion of the MCP, the results of the evaluation(s), and if needed, any corrective actions taken. If the MCP was not completed, explain why it was not completed and give a date for its completion.

(1) Where the statement provides an unqualified statement of assurance, it should be supported by clear indications that subordinate commanders and managers--

- (a) Understand and adhere to the Comptroller General standards.
- (b) Are formally held accountable for the effectiveness of their management controls.
- (c) Have evaluated key management controls as required by applicable MCPs.
- (d) Have reported material weaknesses and have taken corrective action to resolve them.

(2) Where the statement provides a “qualified” statement of assurance, the area(s) in question will be specified and related to the material weaknesses being reported.

2-3. Key management controls

a. General. The management control process does not attempt to evaluate management controls for every requirement imposed on commanders and managers. It recognizes the principle that the cost of management controls must not exceed the benefit derived. This constraint is reflected in the concept of reasonable assurance. USMEPCOM accepts a certain amount of risk by requiring that assessable unit managers concentrate on the adequacy of management controls, as specified in the Comptroller General standards and key management controls. Key management controls are those controls that are absolutely essential to ensuring processes operate as intended and resources are safeguarded from fraud, waste, and misuse. Various factors might be considered in deciding which controls are the key controls, but the fundamental criteria is the severity of the adverse impact, should the control fail, or fail to be used (that is, a key control is one whose failure would “break” or seriously impair the system). The determination of key controls must be based on the recognition that properly conducted management control evaluations impose a significant cost on commanders and managers and these commanders and managers must be able to give priority attention to truly critical controls.

b. Identification. USMEPCOM functional proponents must use their professional judgment to identify key management controls specific to USMEPCOM operations and must explicitly state them in an appendix to the governing regulation. HQDA functional proponents have identified key management controls and have in many cases published the key management controls in the appendixes to the governing AR. USMEPCOM functional proponents will incorporate these controls in the appropriate USMEPCOM regulation.

c. Revisions. After the initial determination of key management controls the functional proponent must reevaluate this determination whenever major deficiencies are identified (for example, by management reviews, audits, or inspections), when policies and procedures are significantly revised or when standard systems are modified or replaced. Any standard management control evaluation checklist must also be revised to ensure the consistency in published guidance. Changes to management control evaluation checklists will be through an IMC. Route the IMC through the MCA. The MCA will review the IMC for impact on management controls. The MCA will forward the IMC to MIM-Support Services Division and the IG. The MCA will review all IMCs for management controls.

d. Field supplementation. The key management controls identified by HQDA functional proponents and USMEPCOM functional proponents are the minimum requirement for the management control evaluations. Commanders and managers may require additional coverage in management control evaluations to address command-unique or location-unique circumstances. These supplements to the checklists are now part of the management control program.

2-4. Management Control Plan (MCP)

The MCP is the written plan for conducting required management control evaluations within the assessable unit over a 2-year period. The MCP need not be lengthy and any format may be used, so long as it covers the key management controls identified by HQDA and USMEPCOM functional proponents and communicates clearly to commanders and managers what areas are to be evaluated, who will conduct the evaluation, and when. The USMEPCOM MCP will be developed by the MCA. It may be structured by functional areas (for example, security, maintenance of real property) or by major organizational components (logistics, contracting). It might list the governing ARs and USMEPCOM regulations that identify the key management controls, or the method to be used for the conducting the evaluation. The MCP must be kept current and used to monitor progress to ensure all management control evaluations are conducted as scheduled. The OASA(FM) will annually provide an inventory of areas with key management controls that will be evaluated. The MCA will add these areas to the USMEPCOM MCP.

2-5. Army reporting requirements

The Integrity Act requires the Commander to submit an annual statement to the President and Congress on the status of management controls within USMEPCOM. The Commander, USMEPCOM provides an annual statement to the Secretary of the Army through the Deputy Chief of Staff, Personnel. A courtesy copy of the annual statement will be submitted to the Training and Doctrine Command, the executive agent for USMEPCOM.

a. Annual Statement of Assurance. The annual statement is prepared in accordance with instructions from OASA(FM). OASA(FM) issues the instructions in May of the current year. The MCA will issue instructions for the preparation of the USMEPCOM annual statement in mid June of the current year. Commanders, HQ USMEPCOM directors and special staff officers, sector commanders, and others directed by the Commander, Deputy Commander/Chief of Staff, and/or MCA will submit an annual statement in the format and by the suspense date established by the MCA. The submission is due by 30 August of the current year. See samples at figures 2-1 and 2-2.

b. Midyear update. Midyear reports are required if there are major changes in the plans for correcting material weaknesses. OASA(FM) will issue guidance in February of the current year on reporting requirements. The MCA will issue requirements, format, and suspense dates to USMEPCOM staff.

2-6. Management control evaluations

a. General. A management control evaluation is a detailed, systematic, and comprehensive examination of the key management control to determine if it is in place, is being used as intended, and is effective in achieving its purpose. The evaluation *must* be based on the actual testing of the key management controls, using one of several approaches: direct observation, file/document analysis, sampling or simulation. The evaluation of the key management control must make a specific determination of its effectiveness. Finally, this evaluation must be supported by documentation that clearly indicates who conducted the evaluation and when, what methods were used to test the key control, what management deficiencies (if any) were detected, and what corrective actions were taken.

b. Requirement. Formal management control evaluations of key management controls must be performed at least once every 2 years. Key management controls in any area identified by DOD, GAO, OPM, USAAA, Army leadership and others as “high-risk” may require more frequent evaluations. The OASA(FM) will publish an annual inventory of areas where HQDA functional proponents have identified key management controls, along with information on the governing AR and any suggested or required methods for conducting the evaluation. This will be the baseline for key management controls for USMEPCOM functional proponents. This annual inventory will be the basis for the MCP. The MCA will publish the MCP, listing the required evaluations with supporting information from OASA(FM) to aid in the evaluation. The MCA also may add evaluations of areas of interest to USMEPCOM.

c. Certification. The assessable unit manager’s certification that a required management control evaluation has been conducted will be documented on DA Form 11-2-R. The DA Form 11-2-R is available for all users in the USMEPCOM Electronic Pubs/Forms Library. Instructions for completing the form are shown in figure 2-3.

d. Methods for evaluating management controls. USMEPCOM functional proponents must identify a management control evaluation process for use in evaluating key management controls. They must

publish that process in the governing USMEPCOM regulation. HQDA processes published in the governing AR will be published in the USMEPCOM regulation. The USMEPCOM functional proponent may supplement the checklist to meet local circumstances. A management control evaluation will be conducted in one of two ways:

(1) Management control evaluation checklists. The HQDA proponent may develop a management

control evaluation checklist and publish it as an appendix in the governing AR. USMEPCOM functional proponents must publish the checklist in an appendix in the USMEPCOM regulation. Functional proponents may supplement the checklist with questions to evaluate local circumstances. Figure 2-4 is the format USMEPCOM functional proponents must use for a management control evaluation checklist. The checklist identifies key management controls and provides managers with a tool to evaluate the effectiveness of the controls. Commanders, managers, and assessable unit managers must use the checklist published in the USMEPCOM regulation to conduct their management control evaluations. If a checklist is not published in the USMEPCOM regulation, the functional proponent must identify a methodology to test the management controls. This process must be published in the USMEPCOM regulation.

(2) Existing management review processes. There may be existing management review processes that meet, or can be modified to meet, the basic requirements of a management control evaluation. Functional proponents may suggest an existing management review process for evaluating key management controls; or they may require the use of a specific functional management review process. HQDA functional proponents may also provide an alternative method of testing management controls. If this is the case, HQDA functional proponents will provide the necessary information in an appendix in the governing AR. If the HQDA proponent identifies an alternative method, the USMEPCOM functional proponent must publish the methodology in the governing USMEPCOM regulation. Figure 2-4 is the format USMEPCOM functional proponents must use for identifying key management controls and the evaluation process if a checklist is not provided.

2-7. Material weaknesses (MW)

a. Background. The absence or effectiveness of management controls constitutes a management control weakness that must be corrected. Whether the weakness is serious enough to be considered material and reported to the next level of command is the management judgment which must be made based on the criteria and other factors outlines below. The reporting of material weakness is not a new requirement, since managers have always had an inherent responsibility to keep the next level of management informed of sensitive problems and issues. This ability of management at all levels to detect, or be aware of, management control weaknesses, and to take corrective action, is the fundamental goal of the Integrity Act.

b. Reporting process. The initial determination of whether a weakness in management controls is material can be made at any level of command. If the weakness is considered material and reported, the determination of materiality is then reevaluated at each successive level of command. The final determination of whether a weakness merits reporting in the USMEPCOM annual statement is made by the Commander with input from the MCA, MIG, MIR, and the appropriate USMEPCOM functional proponent. Material weaknesses are recorded on DA Form 11-2-R. Material weakness are reported to the next level of command for corrective action and to the MCA. A copy of the DA Form 11-2-R stating the material weakness will be furnished to the MCA. The material weakness will also be reported in the annual assurance statement. If the MEPC received a marginal or unsatisfactory in one or more of the seven areas of an IG inspection during the current year, the MEPS' Commander will include the functional area(s) as a material weakness in the MEPS' annual statement. This requires submitting a qualified annual statement.

c. Essential criteria for material weaknesses. To be considered material, a weakness must meet the following two conditions:

(1) It must involve a weakness in management controls, such as management controls not in place, are not being used or are inadequate. Resource deficiencies in themselves are not management control weaknesses.

(2) It must warrant the attention of the next level of command, either because the next level of com-

mand must take action or because it must be aware of the problem. This requires a subjective management judgment, particularly in determining whether the next level of command must be aware of a weakness. The fact that a weakness can be corrected at one level does not exclude it from being reported to the next level, since the sharing of important management information is one of the primary reasons for reporting a material weakness.

d. Other factors. To assist in making judgments on whether management control weaknesses are material, the following factors should be considered: actual or potential loss of resources; sensitivity of the resources involved; magnitude of funds, property or other resources involved; actual or potential frequency of loss; current or probable media interest (adverse publicity); current or probable Congressional interest (adverse publicity); unreliable information causing unsound management decisions; diminished credibility or reputation of management; impaired fulfillment of essential mission; violation of statutory or regulatory requirements; information security risk; and public deprivation of needed Government services.

e. Corrective action. Each material weakness reported must include a plan of corrective action. DOD now requires that the last milestone in the plan be a validation that the corrective actions have in fact corrected the weakness. Material weaknesses may not be closed until the validation milestone has been accomplished. The MCA will provide detailed guidance on the format and other requirements for reporting material weaknesses. The MCA will base this information on annual instructions from OASA(FM).

f. Tracking. The MCA is responsible for developing a tracking system to effectively track the correction of all USMEPCOM material weaknesses. The system should avoid duplication of normal tracking functions within USMEPCOM. In the case of material weaknesses reported in the Command annual statement, tracking of the weaknesses will depend on the annual instructions from OASA(FM).

2-8. Required documentation

a. Management control evaluations. The MCP will serve to document the required schedule of management control evaluations within the Command. The MCP will identify those areas to be evaluated, the fiscal year for the evaluation, and the official responsible for ensuring that the evaluation is conducted. Management controls must be supported by specific documentation, regardless of the method used to conduct the evaluation. At a minimum, this supporting documentation must clearly indicate who conducted the evaluation, the date the evaluation was conducted, what methods were used to test key management controls, what management control weaknesses (if any) were detected, and what corrective actions were taken.

b. Annual statements and material weaknesses. Reporting organizations are responsible for maintaining copies of their annual statements, along with **complete** supporting documentation. Organizations responsible for tracking the correction of material weaknesses are also responsible for maintaining documentation on the status, effectiveness, and validation of corrective actions.

c. Retention. File documentation on management control evaluations conducted, annual statements submitted, and material weaknesses reported **must** be maintained under file number 11-2a and destroyed after 3 years.

- (1). Assessable units must retain required documentation on the most recent control evaluation.
- (2) Reporting organizations must retain copies of their annual statements and supporting documentation for 3 years after submission of those statements.
- (3) Reporting organizations must retain documentation on material weaknesses for 3 years after cor-

rection of the weakness.

2-9. Use of audit and inspection reports

a. Functional proponents, special staff sections, commanders, managers and assessable unit managers can often take corrective or preventive action based on problems identified in audits and inspections. Such reports may only address a management control problem at one location but managers throughout the command can use these reports to identify potential problems in their own areas of responsibility and take timely action to prevent them.

b. Audit and inspection areas within the Command ensure distribution of their reports to managers with primary and collateral interests. In addition, the MCA will review summaries of management control reports found in reports by the Auditor General, Army IG, USAAA, DOD IG, and GAO. By distributing these summaries within the Command, the MCA can ensure that their commanders and managers are aware of management control weaknesses in other locations and have the opportunity to review their own operations for similar problems.

2-10. Performance agreements

a. Background. OMB Circular A-123, Management Accountability and Control requires those performance agreements of commanders, managers and assessable managers include an explicit statement of responsibility for management controls.

b. Implementation. Supervisors must include an explicit statement of responsibility for management controls in the performance agreements of commanders and managers responsible for the execution and/or oversight of effective management controls, down to the assessable unit manager level. The absence of an explicit statement of responsibility must be based on the supervisor's determination that the individual does not have significant management responsibilities.

(1) For military officers, it should be in DA Form 67-8-1 (Officer Evaluation Report Support Form), Part IV, "Major Performance Objectives."

(2) For "Senior System" civilian employees, under the new Total Army Performance Evaluation System (TAPES), it should be in DA Form 7222-1 (Senior System Civilian Evaluation Report Support Form), Part IV, "Major Objectives/Individual Performance Standards."

c. Application. The explicit statement of responsibility should be brief and may take any form, but it must be specific enough to provide the individual accountability. Supervisors may use a stand-alone element or include the management control responsibility as part of a broader element.

Your Office Symbol (11-2a)	(Date)
<p>MEMORANDUM FOR Management Control Administrator, Headquarters, U.S. Military Entrance Processing Command, 2834 Green Bay Road, North Chicago, IL 60064-3094</p> <p>Subject: FY XX Annual Statement of Assurance on Management Controls</p> <p>I certify:</p> <ol style="list-style-type: none"> 1. This statement accurately reflects all known management control material weaknesses in my functional area of responsibility. My assessment was based on my overall knowledge of these management controls, evaluations of their effectiveness, all known audits, inspections, investigations and other reviews, and the overall awareness of my staff. Regulations are being maintained to ensure understanding of essential policies and requirements that must be enforced. The corrective actions shown for each material weakness are appropriate and will be monitored to ensure that the material weakness is effectively resolved in a timely manner. 2. The management control process within (sector, MEPS, directorate, special staff office) provides reasonable assurance, except for the material weakness(es) identified in paragraph 5, that: <ol style="list-style-type: none"> a. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation. b. Obligations and costs comply with applicable laws. c. Revenues and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. d. Programs and administrative functions are efficiently and effectively carried out in accordance with applicable laws and management policies. 3. This determination is based on a general understanding and adherence to the General Accounting Office Standards for Internal Controls and verified by methods believed to be necessary to evaluate the adequacy of management controls and decide if they are in place and operating. These methods include application of scheduled management control evaluations and consideration of the following: <ol style="list-style-type: none"> a. Performance of other management control evaluations warranted by local circumstances. b. Consideration of audits, inspections, and independent review reports. c. Assurances by principal subordinates. d. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers. 4. This annual statement is based on a combination of actions taken to ensure there is a reasonable level of confidence that management controls are in place and operating. Actions taken included: (include specific information that addresses each area) <p>..LEADERSHIP EMPHASIS</p> <p>..TRAINING</p> <p>..EXECUTION</p> 5. The application of standardized evaluations and other methods of review have detected (#) new material weaknesses of sufficient significance to require reporting to (sector or HQ USMEPCOM). These new material weaknesses are: <ol style="list-style-type: none"> a. State the material weakness, the impact on operations, the method of detection (IG inspection, audit, the command inspection program...), the date discovered, a plan to correct material weakness, and date for completion of plan. a.etc 6. Statement on completion of evaluations required by the MCP. 7. This statement accurately reflects the results from the execution of the management control process. <div style="text-align: right; margin-top: 20px;"> /Signed/ (Authorized signature block) </div>	

Figure 2-1. Sample of a qualified annual statement

Your Office Symbol (11-2a)	(Date)
MEMORANDUM FOR Management Control Administrator, Headquarters, U.S. Military Entrance Processing Command, 2834 Green Bay Road, North Chicago, IL 60064-3094	
Subject: FY XX Annual Statement of Assurance on Management Controls	
I certify:	
<p>1. This statement accurately reflects all known management control material weaknesses in my functional area of responsibility. My assessment was based on my overall knowledge of these management controls, evaluations of their effectiveness, all known audits, inspections, investigations and other reviews, and the overall awareness of my staff. Regulations are being maintained to ensure understanding of essential policies and requirements that must be enforced. The corrective actions shown for each material weakness are appropriate and will be monitored to ensure that the material weakness is effectively resolved in a timely manner.</p>	
<p>2. The management control process within (sector, MEPS, directorate, special staff office) provides reasonable assurance that:</p> <ul style="list-style-type: none"> a. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation. b. Obligations and costs comply with applicable laws. c. Revenues and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. d. Programs and administrative functions are efficiently and effectively carried out in accordance with applicable laws and management policies. 	
<p>3. This determination is based on a general understanding and adherence to the General Accounting Office Standards for Internal Controls and verified by methods believed to be necessary to evaluate the adequacy of management controls and decide if they are in place and operating. These methods include application of scheduled management control evaluations and consideration of the following:</p> <ul style="list-style-type: none"> a. Performance of other management control evaluations warranted by local circumstances. b. Consideration of audits, inspections, and independent review reports. c. Assurances by principal subordinates. d. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers. 	
<p>4. This assurance statement is based on a combination of actions taken to ensure there is a reasonable level of confidence that management controls are in place and operating. Actions taken included: (include specific information that addresses each area)</p>	
<p>..LEADERSHIP EMPHASIS</p>	
<p>..TRAINING</p>	
<p>..EXECUTION</p>	
<p>5. Statement on completion of evaluations required by the MCP.</p>	
<p>6. This statement accurately reflects the fact that execution of the management control process revealed no management control material weaknesses.</p>	
<p>/Signed/ (Authorized signature block)</p>	

Figure 2-2. Sample of an unqualified annual statement

MANAGEMENT CONTROL EVALUATION CERTIFICATION STATEMENT		1. REGULATION NUMBER USMEPCOM Reg xxx-xx
For use of this form, see AR 11-2; the proponent agency is ASA(FM).		2. DATE OF REGULATION dd/mm/yy
3. ASSESSABLE UNIT Name the area being evaluated		
4. FUNCTION Name the function being evaluated		
5. METHOD OF EVALUATION (<i>Check one</i>)		
<input checked="" type="checkbox"/> a. CHECKLIST Checklist title (if used)	b. ALTERNATIVE METHOD (<i>Indicate method</i>)	
APPENDIX (<i>Enter appropriate letter</i>)		
6. EVALUATION CONDUCTED BY		
a. NAME (<i>Last, First, MI</i>) Name, rank, title of person(s) performing the evaluation		b. DATE OF EVALUATION
7. REMARKS (<i>Continue on reverse or use additional sheets of plain paper</i>)		
1. Certify all evaluations using DA Form 11-2-R (Management control Evaluation Certification Statement)		
2. Commanders and managers will evaluate all tasks, as applicable, in their area of responsibility		
3. Choose the method of review: ..Management Control Evaluation Checklist ..existing or other review process (e.g., command inspection program, Internal Review audit, IG inspection)		
4. A management control evaluation must: ..be detailed, systemic, and comprehensive ..determine whether key management controls are in place, being used as intended, and are effective in achieving their purpose ..be based on actual testing of the management controls, using one of several approaches: direct observation, file/document analysis, sampling or simulation		
5. All evaluations must be supported by documentation that clearly indicates: ..who documented the evaluation ..when the evaluation was conducted - the date ..what methods were used to test key management controls ..what management control material weaknesses (MW) (if any) were detected and ..what corrective actions were taken		
6. Reporting organizations (HQ, directorates, special staff, sectors, MEPS) will maintain copies of their annual statements, along with complete supporting documentation		
7. Organizations tracking MWs must maintain documentation on: ..status of corrective action(s) ..effectiveness of corrective action(s) ..validation of corrective action(s)		
8. Retention of documentation will be IAW with requirements in USMEPCOM Reg 11-4, Management Control		
8. CERTIFICATION		
I certify that the key management controls in this function have been evaluated in accordance with provisions of AR 11-2, Army Management Control Process. I also certify that corrective action has been initiated to resolve any deficiencies detected. These deficiencies and corrective actions (<i>if any</i>) are described below or in attached documentation. This certification statement and any supporting documentation will be retained on file subject to audit/inspection until superseded by a subsequent management control evaluation.		
a. ASSESSABLE UNIT MANAGER		
(1) Typed Name and Title		b. DATE CERTIFIED dd/mm/yy
(2) Signature		

DA FORM 11-2-R, JUL 94

EDITION OF JAN 94 IS OBSOLETE

USAPPC V2.00

Figure 2-3. Sample of a completed DA Form 11-2-R

USMEPCOM Reg XXX-XX**Appendix X(insert appropriate letter)****Management Control Evaluation Checklist – (title of checklist)****X-1. Function**

The function covered by this checklist is *(indicate the function covered by this checklist)*.

X-2. Purpose

The purpose of this checklist is to assist commanders, managers, and assessable unit managers *(indicate the intended users)* in evaluating the key management controls listed below. It is **not** intended to cover **all** controls.

X-3. Instructions

Answers must be based on the actual **testing** of key management controls (e.g., document analysis, direct observation, sampling, simulation, other). Answers that indicate deficiencies must be explained and corrective actions indicated in the supporting documentation. These controls **must** be evaluated at least once every two years. Certification that the evaluation has been conducted will be done on DA Form 11-2-R (Management Control Evaluation Certification Statement).

X-4. Test questions

(Insert the test questions, worded in such a way that negative answers indicate a management control weakness).

a.

b.

c.

X-5. Supersession

This checklist replaces the checklist for (insert title covered by the previous checklist) previously published in (insert previous publication number, title, and date).

X-6. Comments

Help make this a better tool for evaluating management controls. Submit comments to (insert the complete mailing address for the HQ USMEPCOM functional proponent).

X-7. Use of DA Form 11-2-R (Management Control Evaluation Certification Statement)

DA Form 11-2-R (Management Control Evaluation Certification Statement) is designed to document any management control evaluation. Certification that a management control evaluation has been conducted will be certified on this form. The form is available in the USMEPCOM Electronic Pubs/Forms Library. See USMEPCOM Reg (insert number), figure (insert number), for a completed sample of this form

Figure 2-4. Format for a management control evaluation checklist

Appendix X (insert the appropriate letter)**Management Control Evaluation Process - (option to title the process)****X-1. Function**

(Indicate the function to be evaluated).

X-2. Key management controls (list the key management controls to be evaluated).

a.

b.

c.

X-3.. Management control evaluation process

(Briefly describe the existing management review process that is suggested or required for use in evaluating the key management controls identified above. If no process is being suggested or required indicate "None.").

X-4. Comments

Help make this a better tool for evaluating management controls. Submit comments to (insert the complete mailing address of the HQ USMEPCOM functional proponent).

X-5. Use of DA Form 11-2-R (Management Control Evaluation Certification Statement)

DA Form 11-2-R (Management Control Evaluation Certification Statement) is designed to document any management control evaluation. Certification that a management control evaluation has been conducted will be certified on this form. The form is available in the USMEPCOM Electronic Pubs/Forms Library. See USMEPCOM Reg (insert number), figure (insert number), for a completed sample of this form.

Figure 2-5. Format for a management control evaluation process not involving the use of checklists.

Appendix A

References

Section I

Related Publications

(The publications are merely a source of additional information. Users may read them to better understand the subject, but do not have to read them to comply with this publication.)

AR 11-2
Management Control

AR 25-400-2
The Modern Army Record Keeping System

DOD Directive 5010.38
Internal Management Control Program

OMB Circular No. A-123
Management Accountability and Control

Public Law 97-255
Federal Managers' Financial Integrity Act of 1982

Section II

Required Forms

(Form(s) prescribed by this regulation. Users must use these forms to comply with this regulation.)

DA Form 11-2-R¹
Management Control Evaluation Certification Statement. Cited in paragraph 2-6c.

DA Form 67-8-1¹
Officer Evaluation Report Support Form. Cited in paragraph 2-10b(1).

DA Form 7222-1¹
Senior System Civilian Evaluation Report Support Form. Cited in paragraph 2-10b(2).

DA Form 2028¹
Recommended Changes to Publications and Blank Forms. Cited in the "suggested improvements" paragraph.

Section III

Prescribed File Number

(The file number this regulation prescribes the user to file specific documents under).

11-2a
Internal control systems. Cited in paragraph 2-8c.

Notes

1. Electronic (Available in the USMEPCOM Electronic Pubs/Forms Library.)

Appendix B**Management Control Evaluation Checklist – Management Control****B-1. Function**

The function covered by this checklist is the administration of the management control process.

B-2. Purpose

The purpose of this checklist is to assist commanders, managers, assessable unit managers, and the Management Control Administrator (MCA) in evaluating key management controls outlined below. It is not intended to cover all controls.

B-3. Instructions

Answers must be based on the actual **testing** of key management controls (e.g., document analysis, direct observation, sampling, simulation, other). Answers that indicate deficiencies must be explained and corrective action indicated in supporting documentation. These key management controls **will** be evaluated at least once every 2 years. Certification that this evaluation has been conducted must be accomplished in DA Form 11-2-R (Management Control Evaluation Certification Statement).

B-4. Test questions

- a. Are key management controls identified in the governing Army Regulations (HQDA functional proponents only) and incorporated in the applicable USMEPCOM regulation(s) along with key controls specific to USMEPCOM operations, policies and procedures identified by the USMEPCOM functional proponent for the governing USMECOM regulation(s)?
- b. Are management controls provided or are alternate evaluation methods identified to test key management controls? (HQDA functional proponents and USMEPCOM functional proponents)
- c. Is there local management control guidance that defines management control responsibilities and required actions?
- d. Are commanders, managers, assessable unit managers, and the MCA trained in, and do they understand, their management control responsibilities?
- e. Are explicit statements of management control responsibility included in performance agreements for the MCA, commanders, managers, and assessable unit managers?
- f. Is a MCP established and maintained to describe how key management controls will be evaluated over a 2-year period?
- g. Are management control evaluations conducted in accordance with the MCP?
- h. Has prompt action been taken to correct any management control weaknesses?
- i. Are the MCA, the Commander, IR, IG, and the functional proponent advised of potential material weaknesses detected through management control evaluations or from other sources?
- j. Is documentation maintained at all levels within USMEPCOM on management control evaluations conducted, annual statements submitted, and reported material weaknesses?
- k. Are annual assurance statements submitted on time and in compliance with instructions provided by the MCA and OASA(FM)?

- l. Is there a tracking system to effectively track the correction of material weaknesses?
- m. Does the command have a designated MCA?
- n. Does USMEPCOM have a current listing of assessable unit managers?
- n. Has a DA Form 11-2-R, with supporting documentation, been completed at all levels within the command for each evaluation in the current MCP.

B-5. Supersession

None.

B-6. Use of DA Form 11-2-R (Management Control Evaluation Certification Statement)

DA Form 11-2-R is designed to document any management control evaluation. Certification that a management control evaluation has been conducted will be certified on this form. The form is available in the USMEPCOM Electronic Pubs/Forms Library. See USMEPCOM Reg 11-4, figure 2-3, for a completed sample of this form.

B-7. Comments

Help make this a better tool for evaluating management controls. Submit comments to: HQ USMEPCOM, ATTN: MIR, Management Control Administrator, 2834 Green Bay Road, North Chicago, IL 60064-3094.

Appendix C**Comptroller General Standards for Internal Controls in the Federal Government****C-1. Comptroller General standards**

The management standards define the minimum level of quality acceptable for management control systems in operation. These standards (also known as the GAO standards) constitute the criteria against which these systems are to be evaluated. These management control standards apply to all operations and administrative functions. They are intended to limit or interfere with duly granted authority related to the development of legislation, rulemaking, or other discretionary policymaking of in an agency. Ensuring management controls in each organization are in conformance with the Comptroller General standards detailed in paragraphs C-2 through C-13 below, is the basic Integrity Act responsibility of commander and manager. Paragraphs C-2 through C-6 are general management control standards, paragraphs C-7 through C-12 are specific management control standards, and paragraph C-13 is an audit resolution standard.

C-2. Reasonable assurance

a. Standard. Management controls are used to provide reasonable assurance that the objectives of a system will be accomplished.

b. Explanation. This standard recognizes that the cost of management control should not exceed the benefit derived. Reasonable assurance equates to a satisfactory level of confidence under given considerations of cost, benefit, and risk. There are sensitive resources for which the cost of controls cannot be an issue. However, for most resources and operations, USMEPCOM cannot afford to attain 100 percent compliance with the requirements. Thus essential application of this standard is in defining acceptable performance within the reality of what can be accomplished. This realistic performance objective is the basis for judging the adequacy of applicable management controls. The determination of reasonable assurance is a judgment about the day-to-day effectiveness of management controls in achieving realistic objectives. These objectives may change as resources available for management controls are increased or decreased, due to budget revisions and other priorities.

C-3. Supportive attitude

a. Standard. Commanders, managers, and employees are to maintain and demonstrate a positive and supportive attitude toward management controls at all times.

b. Explanation. This standard requires commanders and managers to take steps to promote the effectiveness of management controls. A positive and supportive attitude initiated and fosters by management ensures that subordinate personnel consistently consider management controls a high priority. Attitude affects the quality of performance and, as a result, the quality of management controls. Attitude is not reflected in any one particular aspect of a manager's behavior, but rather it is nurtured by a manager's commitment and general leadership to promote strong controls for the organizational staffing, personnel practices, communication, protection, and use of resources through systematic accountability, monitoring and systems of reporting. It is very important for managers at all levels to demonstrate disciplines compliance with all duly established laws, policies, and requirements. Another important way for management to demonstrate its support for good management controls is to emphasize the value of internal auditing and to respond to information developed through internal audits. Other evidence includes clear lines of authority and responsibility, appropriate reporting relationships, appropriate separation of authority, and general sensitivity of employees to the importance of management controls.

C-4. Competent personnel

a. Standard. Commanders, managers, and employees are to have personal and professional integrity

and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good management controls.

b. Explanation. Many elements influence the integrity of managers and their staff. For example, personnel should periodically be reminded of their obligations under the operative code of conduct. In addition, hiring and staffing decisions should include pertinent verification of education and experience and, once on the job, identification of necessary formal and on-the-job training. Managers who possess a good understanding of management controls are vital to effective control systems. Counseling and performance appraisals are also important. Overall performance appraisals and efficiency ratings for applicable managers should include an assessment of how well the individual has devised, implemented and sustained essential management controls.

C-5. Control objectives

a. Standard. Management control objectives are to be identified or developed for each command activity and are to be logical, applicable, and reasonably complete.

b. Explanation. Control objectives should be tailored to fit the specific operations in the command, and should be consistent with the overall objectives of the management as set forth in the Integrity Act.

C-6. Control techniques

a. Standard. Management control techniques are to be effective and efficient in accomplishing management control objectives.

b. Explanation. Management control techniques are the mechanisms by which control objectives are achieved. Techniques include, but are not limited to, specific policies, procedures, organization arrangements (including separation of duties, reconciliation, suspense, and physical observation actions), as well as essential physical measures (such as locks and fire alarms). To be effective, techniques should fulfill their intended purpose in actual application, provide necessary coverage, and operate when intended. As for efficiency, techniques should be designed to derive the maximum benefit with minimum effort. A number of management control techniques are essential to providing reasonable assurance the management control objectives will be achieved. These techniques are the specific standards discussed section III.

C-7. Documentation

a. Standard. Management control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

b. Explanation. This standard requires written evidence of an agency's management control objectives and techniques and accountability systems; and all pertinent aspects of transactions and other significant events of the agency. Also, the documentation must be available and easily accessible for examination.

(1) Documentation of management control systems should include identification of cycles, related objectives, and techniques, and should appear in management directives, administrative policy, and accounting manuals. Documentation of transactions or other significant events should be complete and

accurate and should facilitate tracing the transaction or event and related information, before it occurs, while it is in process, and after it is complete.

(2) Complying with this standard requires that the documentation of management control systems and

transactions and other significant events be purposeful and useful to managers in controlling their operations, and to auditors or others in analyzing operations.

C-8. Recording of transactions and events

a. Standard. Transaction and other significant events are to be promptly recorded and properly classified.

b. Explanation.

(1) Transactions must be promptly recorded if pertinent information is to maintain its relevance and value to management in controlling operations and making decisions. This standard applies to the entire process or life cycle of a transaction or event and includes initiation and authorization, all aspects of the transaction while in process, and its final classification in summary records.

(2) Proper classification of transactions and events is crucial to organizing and formatting information on summary records from which reports and statements are prepared.

C-9. Execution of transactions and events

a. Standard. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

b. Explanation. This standard deals with management decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions. It is the principal means of ensuring that only valid transactions and other events are entered into. Authorization should be clearly communicated to designated individuals and should include specific conditions and terms under which responsive actions are intended. Conforming to the terms of an authorization means that personnel are carrying out their assigned duties according to ARs, laws, policies, and within the limitations established by management.

C-10. Separation of duties

a. Standard. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

b. Explanation. To reduce the risk of error, waste, or wrongful acts, or to reduce the risk of those acts going undetected, no one individual should control all key aspects of a transaction or event cycle. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; requisitioning, receiving, and issuing equipment, supplies, and services; making payments; and receiving or authorizing transactions.

C-11. Supervision

a. Standard. Qualified and continuous supervision is to be provided to ensure management control objectives are achieved.

b. Explanation. This standard requires clearly communicating the duties and responsibilities assigned to each staff member; systematically reviewing each member's work to the extent necessary; and approving work at critical points to ensure work flows as intended. Also, managers must guide and train personnel to help ensure errors, waste, and wrongful acts are minimized and those specific management directives are achieved. Managers must continuously review and approve the work assigned subordinates.

C-12. Access to and accountability for resources

a. Standard. Access to resources and records are to be limited to authorize individuals and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison of resources and recorded accountability will be made to determine whether the two agree. The frequency of comparison should be a function of the asset's vulnerability.

b. Explanation.

(1) The basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss to the Government, and to help achieve the directives of management. However, restricting access to resources depends upon the vulnerability of the resource and the perceived loss, both of which should be periodically assessed.

(2) Other factors affecting access include cost, portability, exchangeability, and the perceived risk of loss or improper use of the resource. In addition, assigning and maintaining accountability for resources can involve directing and communicating responsibility to specific individuals within an organization; or may involve the custody and use of resources in achieving the specifically identified management directive.

C-13. Prompt resolution of audit findings

a. Standard. Commanders and managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete, within the established time frames, all actions that correct or otherwise resolve the matters brought to the attention of management.

b. Explanation.

(1) This standard requires managers to take prompt, responsive action to all findings and recommendations made by auditors. Responsive action is that which corrects identified deficiencies. Where audit findings identify opportunities for improvement rather than deficiencies, responsive action is that which produces improvements.

(2) The audit resolution process begins when the results of the audit are reported to management. The audit resolution process is completed only after final action has been taken to correct identified findings and recommendations, to demonstrate that the audit findings and recommendations are either invalid or do not warrant management action.

(3) Auditors are responsible for the follow-up on audit findings and recommendations to ascertain that implementation of corrective actions has been achieved. Auditor's findings and recommendations should be monitored through the resolution and follow-up process.

(4) As needed, commanders and top managers should monitor applicable audit findings and recommendations and be kept informed through periodic reports, to ensure the quality of timeliness of individual corrective actions.

Glossary

Section I

Abbreviations

AR

Army regulation

DOD

Department of Defense

GAO

General Accounting Office

HQDA

Headquarters, Department of the Army

IG

Inspector General

IMC

interim message change

MCA

Management Control Administrator

MCP

Management Control Plan

OASA(FM)

Office of the Assistant Secretary of the Army (Financial Management)

OMB

Office of Management and Budget

OSA

Office of the Secretary of the Army

TAPES

Total Army Performance Evaluation System

Section II

Terms

alternate management control evaluation

Any existing management review process that meets the basic requirements of a management control evaluation, i.e., it assess the key management controls, it evaluates these controls by testing them, and it provides the required documentation. These existing management review processes may be unique to a specific functional area or they may be generic, (e.g., the Command Inspection Program or audits by the internal review auditors).

assessable unit

A unit of organization responsible for conducting management control evaluations.

assessable unit manager

Individual head of an assessable unit.

Comptroller General standards

The twelve standards issued by the Comptroller general to be applied by all managers in the Federal government is developing, establishing and maintaining management controls.

functional proponent

Organization/individual principally responsible for the policy and oversight of a particular functional area.

key management controls

Essential management controls which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements.

management controls

The rules, procedures, techniques and devices employed by managers to ensure that what should occur in their daily operations does occur on a continuing basis.

Management Control Administrator (MCA)

Individual designated by the Commander to oversee and administer the management control process for a reporting organization.

management control evaluation

A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on actual testing key management controls and must be supported by documentation.

management control evaluation checklist

A tool to help managers evaluate the effectiveness of key management controls.

Management Control Plan (MCP)

The written plan that describes how required management control evaluations will be conducted over a 2-year period.

reasonable assurance

An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures in complying with the Integrity Act objectives. The determination of reasonable assurance is a management judgment based on the effectiveness of management controls and the extent of management control deficiencies and material weaknesses.

risk

The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources through fraud, error, or mismanagement.

test question

A question in a management control evaluation checklist designed to help a commander or manager determine whether a key management control is in place and operating as intended.